

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of Forestry and Wildlife
Honolulu, Hawaii

October 9, 2009

Chairperson and Members
Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Land Board Members:

SUBJECT: Amendment No. 6 of Timber Land License No. H-101 held by
Tradewinds Forest Products, LLC.

Background: At its June 12, 2009 meeting under Item C-1, the Board of Land and Natural Resources (Board) approved Amendment No. 5 (Exhibit A) of Timber Land License No. H-101 (License) held by Tradewinds Forest Products, LLC (Tradewinds), a Delaware limited liability company. The principal component of Amendment No. 5 included changing Section 3.1.1 "Penalty Fees and Payments" to allow a forbearance period of seven (7) months in the pre-paid stumpage payments by Tradewinds to the Department for the period of February 2009 to August 2009. The monthly pre-paid stumpage amount of \$25,000 plus a monthly forbearance fee of \$5,000 totaled \$210,000 for the seven (7) month period, with a specified due date of October 10, 2009. The Board also directed staff to report back during October 2009 as to whether this \$210,000 payment was made by Tradewinds, and if not to initiate the process of terminating the License.

In a letter concurrently delivered to the Department (Exhibit B), Tradewinds has requested further amendments to the License to support closing of their financing efforts for veneer mill construction as follows:

1. Assignment of the License in its entirety to Tradewinds Forest Products LLC, a Delaware limited liability company (TFP).
2. Extension of the term of the License an additional ten (10) years to August 28, 2021. Relating to this proposed term extension, Tradewinds also requested technical edits to License Section 4.1 to clarify the framework and timing for timber stumpage price negotiations.
3. Change the mill permit deadlines as set by License Section 3.1.1.d.i whereby the "Licensee must obtain County of Hawaii issued and approved building permits for all major components of veneer plant no later than December 31, 2009." The request is to modify the terms to require proof of Tradewinds receipt of a Hawaii County Plan

Approval on or before February 28, 2010.

4. Change the deadline for completion of the mill from December 31, 2010, to March 31, 2011.
5. Remove timber stands labeled as “Replacement” stands, comprising approximately 3,450 acres, from the License.

Discussion: After review and approval by the Department of the Attorney General (“DAG”), License Amendment No. 5 was fully executed on August 31, 2009. The \$210,000 forbearance payment from Tradewinds was received by the Department on September 29, 2009. Tradewinds is current relating to all terms of its License (as amended) with the Department. Each current Tradewinds License amendment request (Background paragraphs 1 through 5) is discussed in the corresponding paragraphs below:

- a. Staff supports the Tradewinds proposal that the License be transferred in its entirety to Tradewinds Forest Products LLC (TFP). Although this is the same name as the existing licensee, the intent is for Tradewinds to change its name. The name Tradewinds Forest Products LLC would then be available for use by TFP. TFP would then become the licensee through an assignment.

At the time that construction funding is secured, equity ownership of TFP will be transferred 40% to Tradewinds and Rockland Capital (Tradewinds' principal investor) and 60% to GMO Renewable Resources, LLC (GMORR). The assignment of the License would occur at the same time that GMORR becomes one of the owners of TFP.

Staff notes that Don Bryan, one of the principals of Tradewinds, will continue to be involved in operations in Hawaii and will remain as a 20% voting member in TFP. Staff also notes that GMORR is the forest investment arm of a Boston based global investment management firm. GMORR has also acquired a 13,000 acre timber plantation on the Hamakua coast that it intends to log and process through TFP's mill. There will still be ample experience and qualifications of the management team to bring this project to completion.

- b. Staff supports Tradewinds' request to exercise the option to extend the License term for an additional ten (10) years to August 28, 2021, and to clarify License Section 4.1 relating to timber stumpage pricing through technical edits. Tradewinds clearly needs the extended license term to close on its mill financing efforts, and the Department remains in the position to achieve the primary objectives of the License should Tradewinds become operational including: economic and employment benefits to Hawaii; growth of the forest products industry; revenue; and other considerations. Staff recommends that approval of the exercise of the option to extend the License term be conditioned on the Licensee providing adequate assurances that all of the anticipated construction

financing has been secured and will be available upon transfer of ownership to GMORR. Staff recommends that authority be delegated to the Chairperson to approve the extension of the License term for an additional ten (10) years condition on the Chairperson being provided adequate assurances that all of the anticipated construction financing has been secured and will be available upon transfer of ownership to GMORR. It shall be in the Chairperson's sole discretion to determine whether adequate assurances have been provided

Relating to clarifications on timber stumpage pricing, the current License (as amended) provides a set framework for pricing through five (5) years after the Tradewinds veneer plant commences commercial operation. This condition was adopted to support Tradewinds financing efforts. Thereafter the Department and Tradewinds are compelled to negotiate new timber stumpage pricing with the intended effect of reflecting actual market conditions five (5) years after the mill's startup. The proposed technical amendments to License Section 4.1 would clarify this framework.

- c. Staff supports the Tradewinds request to amend the License permitting milestone by simplifying the milestone to pertain solely to a County of Hawaii issued and approved County Plan Approval and extending the deadline by approximately two (2) months. The primary milestone relating to Tradewinds development efforts remains their closing on financing to construct the veneer mill, with a deadline of December 31, 2009. Staff is confident that should Tradewinds be successful in financing, that they will build the veneer mill. Furthermore, Tradewinds discussed in their recent letter the fact that the "building permit" is actually a sequence of County of Hawaii permits, and it seems logical that the Department focus the permit milestone on one of the earlier/primary permits in the sequence, i.e. the County Plan Approval.
- d. Staff supports the Tradewinds request to amend the License by changing the deadline for completion of the mill from December 31, 2010, to March 31, 2011. The change is necessitated by the additional time it took for Tradewinds to identify its lead lender. The change would bring the construction schedule in line with the estimated date for closing the financing on November 30, 2009.
- e. Staff supports the Tradewinds request to amend the License by removing timber stands labeled as "Replacement" stands comprising approximately 3,450 acres (as listed in License Exhibit C, as amended). These stands represent acreage that was originally planted by the State with species that were not well suited to the growing conditions in Waiakea, and therefore exhibited very poor growth. These stands were included in the original License with the anticipation that Tradewinds would clear and replant the acreage to timber species known to be productive at Waiakea. Because the potential License term remaining is less than 12 years, Tradewinds indicated that it is no longer viable for them to plant and harvest mature trees on these acres. Tradewinds prefers to drop the acres now and

potentially bid on them again in a future request for proposals from the Department that could be associated with a longer term.

During recent discussions both Tradewinds and Staff have agreed that the original License document and multiple amendments has become unwieldy. As such, Staff also seeks Board approval to revise and restate the License plus all amendments as a single consolidated document.

RECOMMENDATIONS:

That the Board of Land and Natural Resources:

1. Approve Amendment No. 6 to Timber Land License No. H-101 to:
 - a. Transfer the License in its entirety to Tradewinds Forest Products LLC, a Delaware limited liability company (TFP) upon the closing of construction financing for the mill.
 - b. Delegate the authority to the Chairperson to extend the license term for an additional ten (10) years to August 28, 2021, and to clarify License Section 4.1 relating to timber stumpage pricing through technical edits as detailed above. The delegation is conditioned upon the Chairperson being provided adequate assurances that all of the anticipated construction financing has been secured and will be available upon transfer of ownership to GMORR. It shall be in the Chairperson's sole discretion to determine whether adequate assurances have been provided.
 - c. Modify the veneer mill permit deadlines as set by License Section 3.1.1.d.i whereby the Licensee must obtain a County of Hawaii issued and approved County Plan Approval on or before February 28, 2010.
 - d. Modify the License to change the deadline for mill construction completion from December 31, 2010 to March 31, 2011.
 - e. Remove timber stands labeled as "Replacement" stands comprising approximately 3,450 acres from the License as listed in License Exhibit C as amended.
 - f. All proposed amendments shall be subject to review and approval by the Department of the Attorney General.
2. Approve consolidating the original License and all Amendments in a single consolidated document subject to review and approval by the Department of the Attorney General.

October 9, 2009

Respectfully submitted,



PAUL J. CONRY
Administrator

Attachments

Exhibit A – Executed Timber License H-101 Amendment No. 5

Exhibit B – September 28, 2009 letter from Tradewinds with attachments

APPROVED FOR SUBMITTAL:



LAURA H. THIELEN, Chairperson
Board of Land and Natural Resources

EXHIBIT A

**FIFTH AMENDMENT
OF
TIMBER LAND LICENSE NO. H-101**

This Fifth Amendment made and entered into this 31ST day of AUGUST, 2009, by and between the State of Hawaii, by its Board of Land and Natural Resources ("Licensor") and Tradewinds Forest Products, LLC, a Delaware limited liability company located at P.O. Box 43, Ookala, Hawaii, 96774 ("Licensee") relates to that certain Timber Land License No. H-101 between Licensor and Licensee dated August 29, 2001, covering timber harvest and replanting activities in the Waiakea area of the island of Hawaii (the "TLL"). Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the TLL.

RECITALS

WHEREAS, this TLL was amended in part by the parties on March 30, 2005, by way of the Amendment of Timber Land License No. H-101 ("Amendment No. 1"); and

WHEREAS, this TLL was amended in part a second time on July 8, 2005, by way of the Second Amendment of Timber Land License No. H-101 ("Amendment No. 2"); and

WHEREAS, this TLL was amended in part a third time on October 10, 2005, by way of the Third Amendment and Waiver of Timber Land License No. H-101 ("Amendment No. 3"); and

WHEREAS, this TLL was amended in part a fourth time on March 20, 2009, by way of the Fourth Amendment of Timber Land License No. H-101; and

WHEREAS, Licensee desires to amend in part for a fifth time certain provisions of the TLL; and

WHEREAS, the State of Hawaii, Board of Land and Natural Resources, at its meeting held on June 12, 2009, has approved certain amendments to the TLL to allow for the continued partnership between Licensor and Licensee.

AGREEMENT


NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee hereby agree to amend the TLL as provided hereunder.

A. Section 3.1.1 Penalty Fees and Payments. The parties wish to modify Section 3.1.1.b., to allow for a forbearance period of seven (7) months in the pre-paid stumpage payments. Sections 3.1.1.b. will be amended by deleting it in its entirety and replacing it as follows:

b. *Milestone 3.* If Licensee fails to achieve Milestone 3

**TRADEWINDS FOREST PRODUCTS, LLC
(Licensee)**

By


Donald P. Bryan, President and Managing
Member

CEO.

Approved as to form:



Deputy Attorney General

Dated: Aug 1, 2009

Fifth Amendment of Timber Land License No. H-101, State of Hawaii/Tradewinds Forest
Products, LLC, a Delaware limited liability company



28 September 2009

Via Email and U.S. Mail

Ms. Laura Thielen
Chairperson
Department of Land & Natural Resources
P O Box 621
Honolulu, Hawaii 96809

Re: Proposed Amendments to Timber Land License H-101
Waiakea Timber Land License with Tradewinds Forest Products LLC

Aloha Chair Thielen,

Tradewinds Forest Products LLC ("Tradewinds") is very close to completing the needed financing to construct and start-up its veneer mill at O'okala. Equity in the amount of \$20 million has been committed from two sources (described below) and with that commitment in hand, our investment bankers recently reported favorable responses from a number of banks interested in loaning the remaining \$35 million. We now expect this combined debt and equity financing to close near the end of November. We estimate that the mill will be constructed and operating not later than sixteen months from completing the financing.

With that in mind, let me outline a few changes to the Waiakea Timber Land License H-101 (the "Waiakea License" or "License") which we need to complete our financing.

1. ***Transfer of Waiakea License to a Tradewinds Affiliate and Add Associated License Amendments, including Obligation of Affiliate to Cut a Substantial Amount of the Timber Over the Term of the License.***

Background. Tradewinds' new equity partner in the O'okala mill project is GMO Renewable Resources, LLC ("GMORR"), the forest investment arm of Grantham, Mayo, Van Otterloo & Co. (GMO), the Boston-based global investment management firm with over 400 employees and \$89 billion in client assets under management. GMORR has 30 employees managing approximately \$3.1 billion in timber assets globally, approximately 45% of which are located in the U.S. GMORR has significant timber investments throughout the Pacific Rim, including investments in Costa Rica, Chile, New Zealand, and Australia. The manager for GMORR in this investment is Bob Saul. For more information on GMORR and Bob Saul, see the enclosed slide presentation.

After considering an investment in Hawaiian timber for a number of years, GMORR decided in August 2008 to purchase the Hamakua timber plantation, a 13,000-acre eucalyptus plantation on the Hamakua Coast. At the time of purchase, GMORR believed that there were a number of possible purchasers of its Hamakua timber both on and off the island. Over the past year, however, they have come to realize that the only viable purchaser of its Hamakua timber in the near term is Tradewinds. There is no other commercially-sized buyer that GMORR believes will be operational in the near-term. Furthermore, Tradewinds contends there is no other foreseeable purchaser of the timber capable of paying the prices Tradewinds can pay or who will create the number of high-paying jobs that Tradewinds will create. After scouring Hawaii's timber industry landscape over the past year, GMORR now concurs in this belief.

Over the past couple years, Tradewinds has sought to increase the supply of timber for its veneer mill. Securing adequate timber supply for a two-shift veneer mill operation has been a consistent demand of both debt and equity investors in the Tradewinds project. While it has entered into one smaller timber supply agreement in addition to the Waiakea License, Tradewinds did not yet have sufficient long-term timber cutting rights necessary to supply a two-shift operation.

Realizing their need for one another, GMORR and Tradewinds, along with Rockland Capital (Tradewinds' principal investor), have agreed to form a joint venture whereby (i) GMORR will contribute its Hamakua timber and \$10 million in cash, (ii) Rockland will contribute \$10 million in cash, and (iii) Tradewinds will contribute its mill property, timber cutting contracts, and various mill development assets (principally its development team, engineering plans and studies, construction and equipment contracts, and permits) into a joint venture, the purpose of which is to construct and operate a veneer mill to produce eucalyptus veneer from Hawaiian timber owned and managed by the joint venture principally for sale to the U.S. mainland market. For tax efficiency reasons, as currently proposed the joint venture will be structured into two separate, but equally-owned and equally-controlled, entities—Tradewinds Forest Products, LLC ("TFP"), which would own and operate the veneer mill, and LHF Sunbear, Inc. ("Sunbear"), a real estate investment trust (REIT) that would own and manage the timber. Sunbear would then enter into a timber supply agreement with TFP to supply TFP with all the timber it would need.

The structure of the proposed joint venture is depicted in the attached diagram. As you can see, GMORR will own approximately 60% of the equity in each of Sunbear and TFP and Tradewinds/Rockland will own the remaining 40% of each entity. However, Sunbear and TFP will be "equally-controlled" because they will each be managed by three members—GMORR, who will have two votes, Rockland, who will have two votes, and Don Bryan, who will have one vote.

By placing the timber assets into a REIT, the joint venture would consist of two entities—the timber ownership entity, Sunbear, and the mill ownership entity, TFP. This would allow the joint venture to achieve certain tax efficiencies. As with all competitive ventures Tradewinds will need all the efficiencies available to survive. In recent years, most timber companies have converted their timber ownership arms to a REIT structure similar to the Sunbear/TFP structure.

This bifurcated structure is a desirable condition of GMORR's investment in the joint venture. . Although this is the desired structure for the joint venture, we understand the Department of the Attorney General has concerns with whether restructuring the License in this manner would be in accordance with the State Procurement Code. Accordingly, we are requesting the Board's approval of an alternative interim restructuring of the License, as described in the following paragraph.

Transfer of the Waiakea License to a Newly-Formed Entity—Tradewinds Forest Products LLC, a Delaware limited liability company. As you can see from the above-described structure, Tradewinds would ultimately like to transfer the Waiakea License to Sunbear. However, the Attorney General's office has raised an objection to such a transfer at this time. Given this objection, we propose to transfer the License to a newly-formed entity, TFP, which will build the mill. Existing Tradewinds will change its name to Tradewinds Investments, LLC to permit the newly-formed LLC to carry the name Tradewinds Forest Products. The newly formed Tradewinds Forest Products will be owned 40% by Tradewinds/Rockland and 60% by GMORR. This transfer will allow us to move forward with financing and constructing the mill as planned. Accordingly, we now request the Board's permission to transfer the License to the newly-formed Tradewinds Forest Products. The transfer will occur at the time of, and is conditioned on, the financial closing of construction funding. Later, after further discussions with the DLNR staff and more importantly the Attorney General's office, we may come back to request a transfer of the License to Sunbear.

2. Exercise of Option to Extend License Term Another Ten Years to August 28, 2021 along with associated Timber Pricing Amendment.

By this letter, Tradewinds gives the DLNR notice of its decision to exercise the option set forth in Section 2.1 of the Waiakea License to extend the term of the license an additional 10 years to August 28, 2021. The extension is a requirement of Tradewinds' lenders as a condition of providing debt because they need certainty of raw material supply and pricing. As to pricing, the last paragraph of Section 4.1.1 of the Waiakea License provides that the stumpage price during the 10-year extension shall remain the same as set forth in Section 2.1 (subject to the adjustments set forth therein) through the fifth anniversary of the start-up of the mill. Thereafter, the stumpage price shall be as mutually agreed between Tradewinds and the DLNR. Rather than agreeing now as to what the stumpage price should be after the fifth anniversary of the start-up of the mill, DoFAW staff would rather wait until that time and determine the price through mutual agreement. We are comfortable with that approach but propose that some clean-up or additional language be added to the License to clarify the intent of the parties. First we propose adding language to the affect that the stumpage pricing for the remainder of the License term following the fifth anniversary of the start-up of the mill be determined by negotiations between the parties during the year immediately preceding the fifth anniversary of the start-up of the mill; with the continued proviso contained in Section 2.1 that the DLNR will not unreasonably withhold the extension of the License if we have satisfactorily met the conditions of the License and are offering a fair market stumpage price. The last five words of Section 2.1. ("for a second rotation harvest") should be deleted as this would inadvertently limit this provision to apply only to a second rotation which is no longer the intent. Second, for clarity sake we would like to

define the term "start-up of the plant" to mean the date on which the plant first commences commercial production of veneer. Finally, to clean-up a typographical error in the dispute provision (Section 9.5), we proposed that the phrase "either party" in the second sentence, third line be changed to "both parties."

3. *Amendments to Waiakea License Relating to Deadlines for Certain Mill Permits and Completion of Mill Construction.*

Change Mill Permit Deadline. Currently, the Waiakea License (at Section 3.1.1.d.i) requires Tradewinds "to obtain County of Hawaii issued and approved building permit[s] for all major components of [the] veneer plant no later than December 31, 2009 . . ." There are two problems with this requirement. First, in constructing an industrial facility such as the veneer mill, the "building permit" is comprised of a series of smaller permits and approvals that are acquired over time as the project is engineered and constructed. Many of the permits and approvals build on one another (i.e., one permit cannot be applied for until another permit has been obtained; either because the permitting authority deems it so or because the work to complete the application requires approval of one permit to start the work on the other.) Thus, it is customary for many permits to be applied for and obtained while construction is in process. See the attached Permitting and Early Construction Status/Schedule for a listing and status of each of the various permits and approvals required and the early construction activities that follow receipt of these permits and approvals.

As you can see, to remain on schedule for completion of the mill by March 31, 2011, the actual building permit is not expected (or needed) until mid-June 2010, even though the heavy construction is planned to resume in February 2010, following receipt of County Plan Approval. We believe the County Plan Approval is a more appropriate milestone than the building permit for two reasons: (1) it is an important "gating permit" in that it deals with a number of high-level issues important to mill neighbors (archeology, lighting, sound, ingress/egress, etc.) and must be received before the County will review the applications for most of our other permits, including the site grading permit, the building demolition permit, the building refurbishment permit, the building foundation permit and the building permit (2) it comes four months earlier in the construction schedule than the building permit (Feb 28, 2010 vs. June 30, 2010) so it will give the DLNR an earlier assurance that the project is on schedule. It is important to note that the permitting authorities do not have discretion in granting these permits and are required to issue them so long as Tradewinds' construction plans meet the regulatory terms and specifications for issuing the permit.

Second, several of our permit applications require further engineering work prior to submission, which work cannot begin until additional funding is obtained.

For these reasons, Tradewinds requests that Section 3.1.1.d.i of the Waiakea License be revised to state that Tradewinds must obtain the County Plan Approval (rather than the building permit) on or before February 28, 2010 (rather than December 31, 2009).

Change in Deadline for Completion of Mill. As you can see from the attached Permitting and Early Construction Status/Schedule, our estimated date for completing construction of the mill has moved from December 31, 2010 to March 31, 2011. This is a recent change due to the additional time it has taken to identify our lead lender. While we have contacted and had discussions with a handful of lender's interested in leading the debt financing, we have not selected a lead lender or negotiated final terms of the loan. These lead banks are still in the process of gathering information on the project before making a final loan commitment. We are assisting them daily in their diligence process, but these things take time especially given the current economic climate. In addition to discussions with potential lead lenders, we have had discussions with a number of other lenders willing to participate in the loan syndicate, including a lender willing to loan \$14 million on the project. To bring our construction schedule in line with our estimated date for closing the financing on November 30, 2009, we request that Section 3.c.iii of the Waiakea License be revised to state that the construction completion deadline for the mill be moved from December 31, 2010 to March 31, 2011.

4. Elimination of the Replacement Stands from the Waiakea License.

As I mentioned to Paul Conry on the phone the other day, we have a problem with our right to rent the Replacement Stands and plant trees for later harvest (see Section 8 of the License). Given that (1) our planting of the Replacement Stands will occur at the earliest in years 2011, 2012, and 2013, (2) it takes eucalyptus trees at least ten years to mature into veneer quality timber (and likely longer given the poor growing conditions of the Replacement Stands), and (3) the License expires in August 2021, there simply will not be enough growing time to allow the trees to mature to the stage of harvest as veneer trees. Mr. Conry suggested that we simply remove the Replacement Stands and any reference to it in the License. That will allow the DLNR to re-auction the Replacement Stands when it sees fit and Tradewinds can bid on it then, if it so chooses, at which time a new 15 or 20-year lease will commence giving adequate time for the replanted trees to grow. We are comfortable with that approach.

I look forward to meeting with you next week to discuss the matters raised in this letter. If you have any questions prior to the meeting, please call me at (808) 962-6803.

Sincerely,



Don Bryan
President and CEO
Tradewinds Forest Products, LLC

c: S. Harlan
R. Saul
J. Schifferdecker, Esq.

Tradewinds' Permitting & Early Construction Status/Schedule

Based on Nov 30, 2009 Financial Close

Permit or Construction Task	Status	Time Required From 11/30/09	Estimated County Review Period	Permit Issue	Actual Permit Issued or Approval Received	Construction Schedule
Debt & Equity Financing Closes						Estimate Nov 30, 2009
Purchase Equipment & Materials						January 1 - Nov 30, 2010
Log Line & Lathe Line Consisting of the Following: Log Handling Line Debarker Cutoff Saw Peeling Line Lathe Deck Peeling Line Tipple to Stacking Equipment Packaging Line Core Chipper Veneer Chipper Vibratory Conveyors Chip Screen Hog	No Permit Required Ninty-five percent of the engineering to design and specify this equipment is complete (\$583,000). The terms to purchase this equipment have been negotiated and the pricing has been received.	4 - 52 wks				
Balance of Plant Consisting of the Following: Debarker Building Lathe Line Building Warehouse Fire Water Pump and Tank Electrical Interconnection Equipment Log Unloading Crane Truck Scale	Twenty to twenty-five percent of the site/civil work and specifications for this equipment have been completed. Potential sources for all equipment have been identified and several Request for Proposal packages have been generated and issued.					
Federal Permits						
Storm Water Treatment (NPDES) (SWPPP)	Permit Received	Complete			July 14, 2008	
State Permits						
DOH Air Permit (needed for Cogen only)	Permit Received	Complete			October 3, 2008	
DOH Constr. Consent for Veneer Mill	Approval Letter Received	Complete			July 14, 2008	
DOH Process Water Disposal	Approval Letter Received	Complete			September 18, 2008	April 2, 2010
DLNR Well Drilling	Later mid-construction	7 wks	20 wks	June 9, 2010		June 9, 2010

Tradewinds' Permitting & Early Construction Status/Schedule

Based on Nov 30, 2009 Financial Close

Permit or Construction Task	Status	Time Required From 11/30/09	Estimated County		Actual Permit Issued or Approval Received	Construction Schedule
			Review Period	Permit Issue		
County Permits & Construction						
County Plan Approval						
Consists of the following:		4 wks	3 wks	January 19, 2010		
Landscaping design	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Lighting design	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Asbestos/lead review	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Archeology/historical review	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Sound study	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Ingress/egress plan	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Preliminary grading plan	Engrg Work Complete-Prelimin Approval Rec'd	Complete				
Site Grading Permit	75% of Engineering Work Complete	4 wks	3 wks	January 19, 2010		2 wks mobilize Feb 21, 2010
Prerequisite for the following work:	45% of Engineering Work Complete	8 wks	2 wks	February 9, 2010		
Storm Water Pollution Prevention Install						February 23, 2010
Survey/Layout Site						February 23, 2010
Clean/Grub/Grade Site						March 9, 2010
Storm Water Pond						March 9, 2010
Site Security/Fencing						March 9, 2010
Excavate Hog Fuel Area						April 2, 2010
Process Water Pond						April 2, 2010
Storm Water Drainage System						April 2, 2010
Underground Electrical						April 2, 2010
Excavate Equipment Foundations						April 2, 2010
Building Demolition Permit	Additional Engineering Required	3 wks	2 wks	January 5, 2010		Apr 2 - Jun 17, 2010 March 7, 2010

Tradewinds' Permitting & Early Construction Status/Schedule

Based on Nov 30, 2009 Financial Close

Permit or Construction Task	Status	Time Required From 11/30/09	Estimated County		Actual Permit Issued or Approval Received	Construction Schedule
			Review Period	Permit Issue		
Building Refurbishment Permit Form, Rebar & Pour Equip Foundations for: Lathe* Log Deck* Fire Water Tank* Debarber* Chop Saw* Hog* Truck Scale* Nine other Foundations*	Additional Engineering Required Permit Not Required	9 wks	2 wks	February 16, 2010		March 9, 2010
Septic Permit Install Service Water Piping* Install Process Water Pump* Install Fire Pump & Service Water Skids*						April 19, 2010 April 26, 2010 April 26, 2010 April 26, 2010 April 26, 2010 April 26, 2010 May 2, 2010
Building Foundation Permit Install Log Deck Pavement* Hog Sound Containment Foundation* Install Underground Well Water Piping* Install Log Conveyor* Install Electrical Power to Well Pump* Install Waste Water Piping* Install Underground Piping & Hydrants*	Design & Install Septic System Permit Not Required Permit Not Required Permit Not Required Foundations must be designed using loads from building manuf. (see below) Permit Not Required Permit Not Required Permit Not Required Permit Not Required Permit Not Required Permit Not Required	16 wks*	2 wks	April 6, 2010		May 2 - May 16, 2010 May 2, 2010 May 2, 2010 May 9, 2010 May 31, 2010 June 15, 2010
Building Permit Consists of multiple elements required by the County including: Civil Structural Building Structure Ingress/Egress Electrical Fire Protection (Fire Marshal) Life Safety Seismic Wind Loading	Steps required include: Write specification for building. Go out for bid for building. Award building supplier. Building supplier design building. County review design Issue Building Permit This work typically is done in phases separated by disciplines listed in first column	22 wks*	6 wks	June 15, 2010		June 16, 2010 June 16, 2010 June 30, 2010 June 30, 2010 June 30, 2010 June 30, 2010 June 30, 2010 June 30, 2010
Const Bldg & Remainder of Mill Estimated Building Occupancy Permit Estimated Completion of Construction		22 wks	8 wks	June 30, 2010		June 30, 2010 June 30, 2010 January 11, 2011 March 31, 2011

* Controlled by construction sequencing and timing, not permitting.



GMO Renewable Resources, LLC

Presentation

Executive Team



Eva Greger Ms. Greger is the managing director of GMO Renewable Resources, LLC. Prior to joining GMO in 1997, she was vice president of timberlands for UBS Asset Management with responsibility for evaluating and structuring acquisitions. Ms. Greger earned her B.A. in Economics from Harvard University.

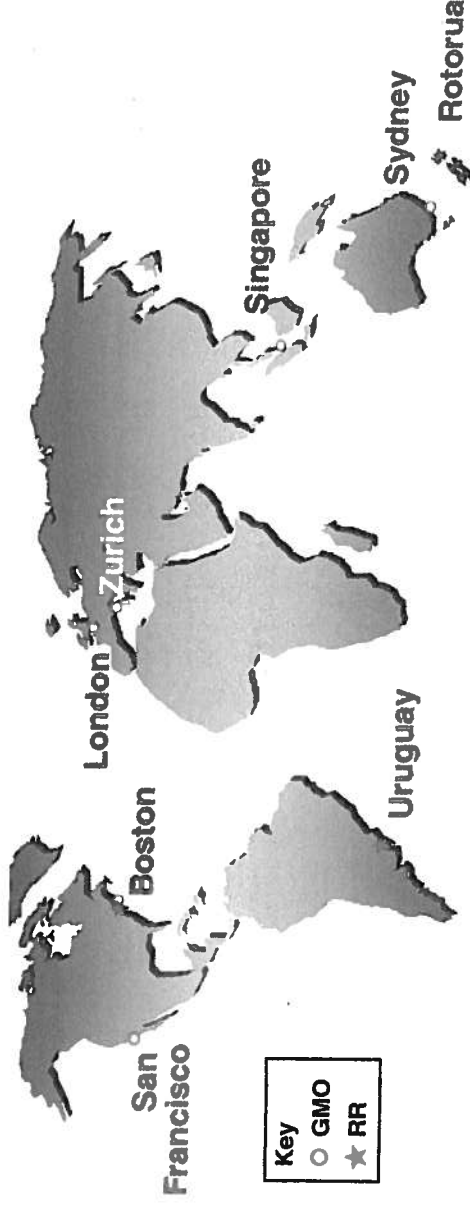


Ian Jolly Mr. Jolly is responsible for the management of renewable resources' Timberland investments outside of the United States, principally, New Zealand, Australian and South America and covering some 652,000 acres. Prior to joining GMO, Mr. Jolly was a senior consultant and director with Chandler Fraser Keating Ltd – a leading New Zealand based forest consultancy. Mr. Jolly has over twenty years of experience in the industry and has managed multi-disciplined teams involved in the sale or purchase of almost \$6.0 billion of plantation forests covering due diligence, wood flow and cash flow development, assessment of comparable sales and the analysis of implied market discount rates. Mr. Jolly earned his honors degree in Forestry from the University of Canterbury, Christchurch NZ.



Robert Saul Mr. Saul is responsible for all U.S. acquisitions in client portfolios for GMO Renewable Resources, LLC. Prior to joining GMO in 1998, he worked as the general manager of GRAPE Realty Trust and president of Timber Farm Company. Mr. Saul earned his B.A. in English from Amherst College and an M.P.P. from Harvard University.

GMO Renewable Resources



- GMO Renewable Resources, LLC, with offices in Boston, Rotorua, New Zealand, and Montevideo, Uruguay, is the forest investment arm of Grantham, Mayo, Van Otterloo & Co. LLC (GMO).
- GMO Renewable Resources is skilled in the evaluation, acquisition, and management of both natural forests and plantations in New England, Appalachia, the Pacific Northwest, the southern U.S., Australia, New Zealand, and Uruguay.
- GMO Renewable Resources has created a broad and diverse portfolio of timber investments in 11 timber funds and 6 designated property investments. We currently have \$3.2 billion in assets under management* from 392 clients.

GMO Renewable Resources

- GMO Renewable Resources has 30 employees wholly dedicated to managing timber investments, and is supported by the operations of GMO, with more than 400 employees.
- We have 9 employees responsible for offshore timber management in New Zealand; our team there represents the largest on-the-ground TIMO (Timber Investment Management Organization).
- Our office in Uruguay is staffed by 2 Uruguayan citizens, and we plan to staff additional employees.
- Prior to joining GMO, two key members (Eva Greger and Ian Jolly) pioneered the first investment by U.S. institutional investors in New Zealand timberland – the Nelson project in 1990. The team remains a leader in timber investing outside the U.S.

GMO Renewable Resources

Distinguishing Characteristics

Diverse Forest Holdings: Unique Knowledge Base

- Various hardwood and softwood species
- High yield plantations and natural forests
- U.S. and non-U.S. properties

Focus on Pure Timber Returns

- Conservative price assumptions for land and timber
- Avoid “real estate-based” return scenarios
- Focus on forest productivity and timber market characteristics
- Inventory – special focus on tree-size distribution and grade

Sustainable Management that Builds Value

- Minimize environmental and regulatory risks
- Work with conservation groups to augment deal flow
- Grow toward exit value

Renewable Resources Team – Worldwide

Boston Head Office Team

Eva Greger, Managing Director
Danielle Jankowich, Head of Investment Operations
Christine Tongol, Controller
Christina Fernandez, Assistant Controller
Liz Murphy, Operations Manager
Erika Ficken, Product Specialist
Ben Van Dahm, Analyst; Jessica Estep, Jr. Analyst
Amy Krumsiek, Marketing & Executive Administrator
Fund Accountants: Nelson Vieira, Jackie Chen, Poy Yee Vong
Stacy Sloan, Treasurer
Brian Warren, AP Clerk
Joanne Ferrao, Administrative Assistant

Rotorua International Forestry Team

Ian Jolly, Director GMO Renewable Resources New Zealand
Steve Gerrard, Accounting Manager
Ross MacDonald, Investment Forester
Brian Rust, Investment Forester
John Barker, Forester
Wayne Veysey, Accountant
Colin Larsen, Accountant
Murray Karl, Accountant

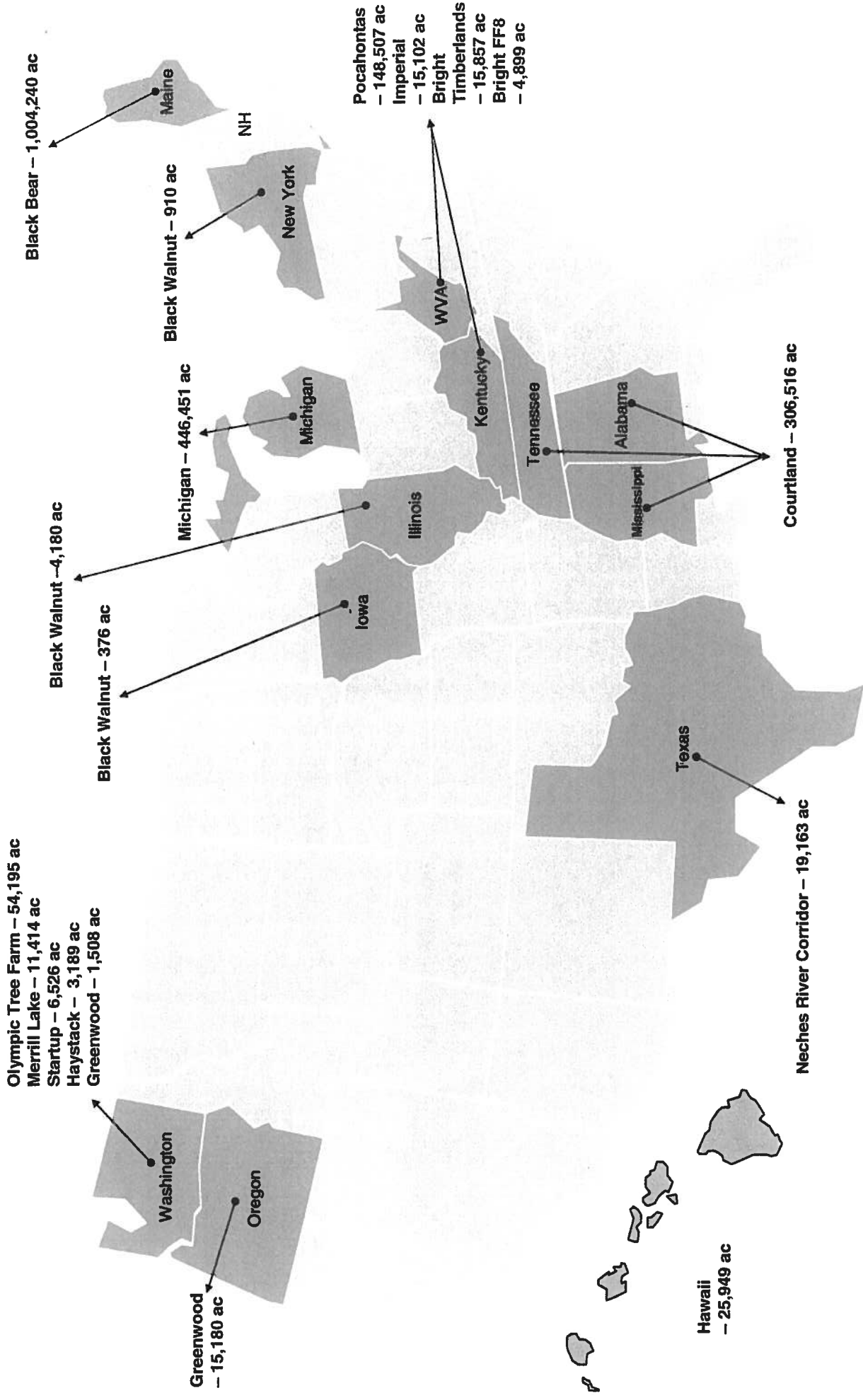
Amherst U.S. Forestry Team

Bob Saul, Director of U.S. Forestry
George Motta, Head of Timber Marketing
Charlie Thompson, Senior Investment Forester /
Head of Silviculture
Christina Petersen, Investment Forester /
Alternative Land Use Manager
Susan Wall, Administrative Services and Research

Montevideo South American Forestry Team

Diego Frederick, Forest Investment Manager for Latin America
Pablo Tarigo, Forest Manager

GMO Renewable Resources U.S. Property Holdings

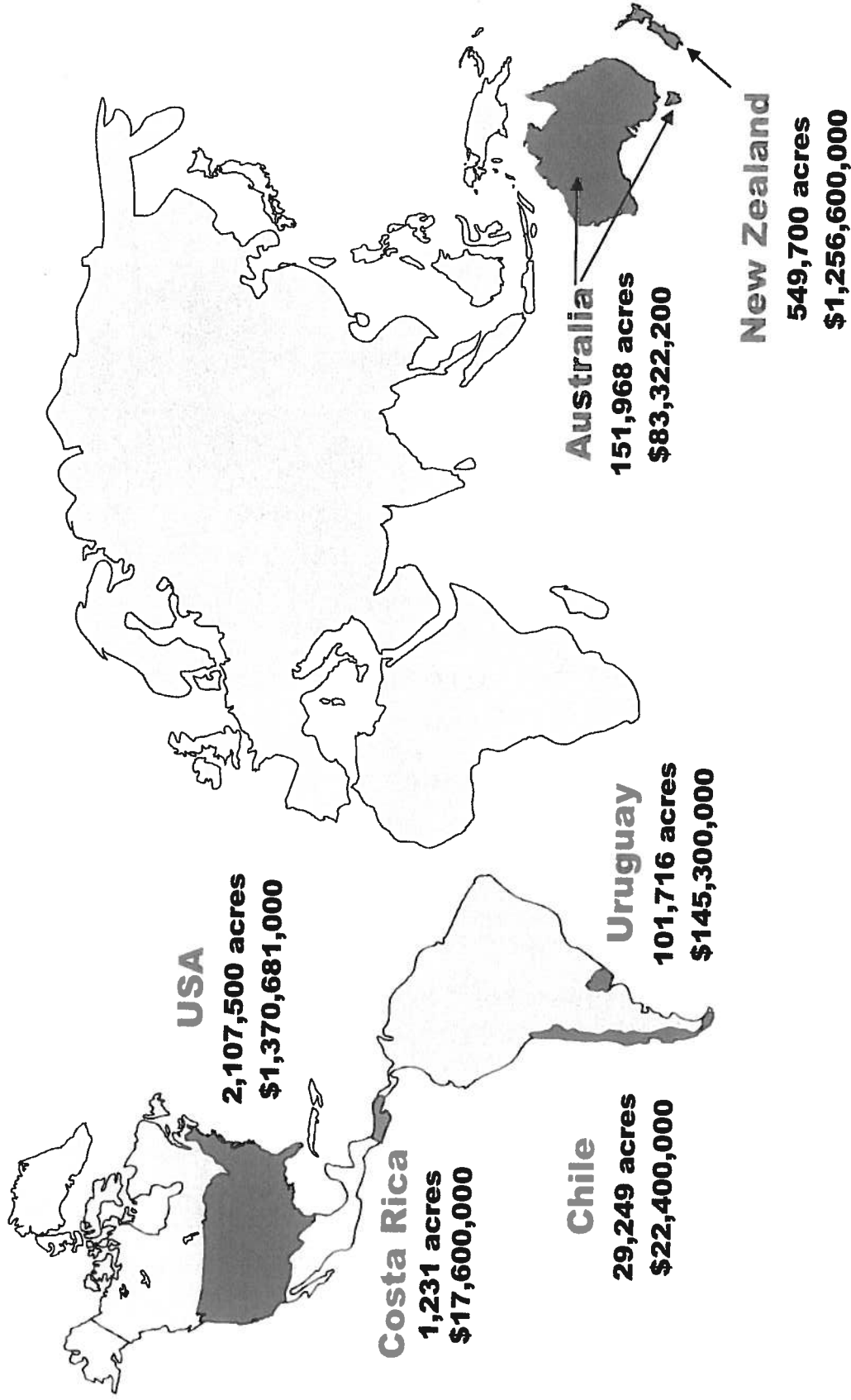


Note: For investments made through joint ventures with third parties, acreage listed represent GMO Renewable Resources' share of such joint ventures.

As of 3/31/09 6

Globally Diversified Timber Funds – GMORR Fund and Designated Property Investments

By acreage and value



Note: For investments made through joint ventures with third parties, values listed represent GMO Renewable Resources' share of such joint ventures. Values all in USD as of 12/31/08 spot rates.

Long Horizons Fund

- The GMORR fund that is invested in the Hawaii land is the GMO Long Horizons Fund (LHF)
- LHF, formed in 2007, has a 20-year term and is designed for long term investing
- GMORR has a commitment to its LHF investors to manage with a focus on environmental sustainability

Notice

The information presented herein is provided for discussion and information purposes only. No offering of interests in any timber funds managed by GMO Renewable Resources, LLC (the “Manager”) is made or implied as a result of the circulation hereof.

These materials include projections of anticipated future performance of investments of the type made by investment funds currently managed, or to be managed in the future, by the Manager and other forward-looking statements. Projections and forward-looking statements are based on current expectations, beliefs, assumptions, estimates and projections about market conditions. The projections and forward-looking statements included herein, or otherwise made orally or in writing from time to time, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict as well as factors that are beyond the Manager’s control. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such projections and forward-looking statements.

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GMO

North America | Europe | Asia-Pacific

40 Rowes Wharf
Boston, Massachusetts 02110
(617) 330-7500 | www.gmo.com

